

Message Text

PAGE 01 NATO 05744 171249Z

44

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-03 INR-05 L-01 ACDA-05

NSAE-00 PA-01 RSC-01 PRS-01 SP-02 USIA-06 TRSE-00

SAJ-01 DODE-00 H-01 NSC-05 SS-15 EB-04 COME-00 FRB-01

NIC-01 DRC-01 IO-04 /071 W
----- 022447

R 170900Z OCT 74

FM USMISSION NATO

TO SECSTATE WASHDC 8223

INFO ALL NATO CAPITALS 4506

C O N F I D E N T I A L USNATO 5744

E.O. 11652: GDS

TAGS: PFOR, NATO

SUBJECT: NAC MEETING, OCTOBER 16, 1974 - ECONADS REPORT ON CEMA

REF: STTE 225195

SUMMARY: ECONADS REPORT ON CEMA MET WITH VERY POSITIVE RECEPTION IN NAC AND PROVOKED LIVELY DISCUSSION. SEVERAL PERMREPS COMMENDED REPORT'S SUBSTANCE AND TIMELINESS AND URGED THAT LUNS POINT UP THE REPORT'S OBVIOUS POLITICAL CONCLUSIONS AND IMPLICATIONS FOR ALLIANCE IN AN ACCOMPANYING NOTE WHEN FORWARDING IT TO MINISTERS. DETAILS ON DISCUSSION BELOW. END SUMMARY.

1. IN HIS INTRODUCTORY REMARKS LUNS DREW PARTICULAR ATTENTION TO REPORT'S CONCLUSION THAT A DETERIORATING WESTERN ECONOMIC SITUATION WAS FAVORABLE TO SOVIETS, WHOSE ENERGY AND OTHER MATERIAL RESOURCES TENDED TO REINFORCE BOTH THEIR POLITICAL AND THEIR ECONOMIC STRENGTH VIS A VIS OTHER MEMBERS OF COMECON.

2. AMBASSADOR DE STAERCKE (BELGIUM), AMBASSADOR DE ROSE (FRANCE), AMBASSADOR CATELANO (ITALY), AND
CONFIDENTIAL

PAGE 02 NATO 05744 171249Z

AMBASSADOR SVART (DENMARK) EPXRESSED SPECIAL INTEREST IN REPORT'S EXAMINATION OF COMECON IN RELATION TO EC, WHICH THEY BELIEVED WARRANTED CONTINUED ECONADS SCRUTINY. CATALANO NOTED THE DEVELOPING CONTACTS

BETWEEN THESE TWO ORGANIZATIONS, (WHICH INCIDENTALLY HE OBSERVED HAD BOTH JUST BEEN ADMITTED AS OBSERVERS AT THE UN), AND THOUGHT EVER-INCREASING INTERPLAY BETWEEN THEM WAS LIKELY. SAVART OBSERVED THAT SOVIETS STILL REFUSE TO RECOGNIZE THE SUPRANATIONAL CHARACTER OF EC, PREFERRING TO AVOID COMMERCIAL AGREEMENTS WITH THE EC IN FAVOR OF BILATERAL ARRANGEMENTS; ALTHOUGH THEY WERE COMING TO RECOGNIZE THE REALITY OF THE EC, THEY HAD NOT YET ACCEPTED ITS ESSENTIAL NATURE. DE ROSE NOTED THAT THE SOVIETS EVIDENTLY NOW FAVORED A RAPPROCHEMENT BETWEEN COMECON AND EC, BUT THAT EAST EUROPEAN VIEWED THIS MORE APPREHENSIVELY AS POTENTIALLY PERMITTING SOVIETS TO CONSTRAIN EAST EUROPE'S OWN INDIVIDUAL BILATERAL CONTACTS WITH THE EC AND THE WEST. DE ROSE THOUGHT A LATER ECONADS STUDY MIGHT USEFULLY HIGHLIGHT THE DIFFERENCES BETWEEN THE EC AND COMECON, DRAWING THE BASIC DISTINCTION BETWEEN WESTERN EUROPE'S INTEGRATION INVOLVING COUNTRIES OF RELATIVELY COMPARABLE WEIGHT, IN CONTRAST WITH COMECON'S INTEGRATION OF THE LESSER EE COUNTRIES INTO A SYSTEM DOMINATED BY A SINGLE (SOVIET) SUPERPOWER. DE STAERCKE SAID THAT A COMECON OPENING TO THE EC AND THE WEST COULD READILY BE CHECKED BY SOVIETS' RECENTLY INCREASED LEVERAGE AS RESULT OF ENERGY CRISIS; AT THE SAME TIME SUCH AN OPENING PRE-SUPPOSED EC PROSPERITY AND THE PRESENT INTERNATIONAL SITUATION WAS NOT ENCOURAGING; EE OPENNESS TO THE WEST WAS CONDITIONED BY CAPACITY OF WESTERN COUNTRIES TO MAINTAIN THEIR ECONOMIC DYNAMISM, FAILING WHICH THE EE'S WOULD HAVE NO ALTERNATIVE BUT TO TURN TO SOVIETS; THE COUNCIL SHOULD RECOGNIZE THE OBVIOUS POLITICAL IMPLICATIONS FOR THE ALLIANCE OF THESE ECONOMIC DEVELOPMENTS AND LUNS MIGHT DRAW THE NECESSARY CONCLUSIONS FOR THE ATTENTION OF MINISTERS.

3. AMBASSADOR PECK (UK) REMARKED HEAVY EE DEPENDENCE ON SOVIET ENERGY SUPPLIES; ALTHOUGH EE'S UNTIL NOW HAD BEEN PAYING SOVIETS LESS THAN WORLD PRICES FOR OIL, THE PRICES WOULD LIKELY BE RENEGOTIATED UPWARD FOR PERIOD 1976-1980, AND EE'S WOULD NEED TO CONFIDENTIAL

PAGE 03 NATO 05744 171249Z

DIRECT THEIR MANUFACTURING CAPACITY EVEN MORE TOWARD USSR IN ORDER TO PAY; THIS IN TURN COULD ONLY FAVOR CLOSER EE ECONOMIC AND POLITICAL INTEGRATION WITH THE USSR - ANOTHER OF THE INESCAPABLE POLITICAL CONCLUSIONS WHICH HE, TOO, AGREED SHOULD BE BROUGHT TO THE ATTENTION OF MINISTERS.

4. AMBASSADOR KRAPF (FRG) AGREED WITH OTHERS THAT COMECON, VIEWED IN RELATION TO THE EC, SHOULD RECEIVE CONTINUED CLOSE ECONAD ATTENTION. THE COMMITTEE SHOULD ALSO WATCH EASTERN PRICING PRACTICE, AS THEIR PRICES MAY NOT CONTINUE TO BE RENEGOTIATED AT 5-YEAR INTERVALS BUT BECOME SUBJECT TO ANNUAL REVIEW. ON REPORTEDLY LOW

PRICES CURRENTLY PAID BY EE COUNTRIES FOR SOVIET OIL,
HE COMMENTED THAT FRG HAS INTELLIGENCE REPORTS THAT
THE EAST GERMAN HAD RECENTLY PAID PRICES ABOVE THE
WORLD MARKET FOR SOME DELIVERIES OF SOVIET OIL.

5. AMBASSADOR MENZIES (CANADA) ALSO HOPED THAT COMECON
DEVELOPMENTS COULD REMAIN UNDER CLOSER AND MORE
FREQUENT ECONADS REVIEW AS ECONOMIC QUESTIONS WERE
OF GROWING SIGNIFICANCE IN FIELD OF EAST-WEST
RELATIONSHIPS AND POWER BALANCE. HE WONDERED IF
A TRI-PARTITE TRADING CIRCUIT MIGHT EMERGE INVOLVING
EASTERN EUROPE, WESTERN OIL CONSUMER COUNTRIES AND THE OIL SUPPLYING
COUNTRIES, WITH THE OIL PRODUCERS IN TURN PERHAPS DIRECTING
A SUBSTANTIAL PORTION OF THEIR REVENUES FROM THE
WEST TOWARD EASTERN EUROPE IN RETURN FOR EE ARMS AND
INDISTRIAL EQUIPMENT.

6. AMBASSADOR HARTOGH (NETHERLANDS) AGREED ON THE
NECESSITY OF DERIVING POLITICAL CONCLUSIONS IN A COVER NOTE FOR
MINISTERS, ESPECIALLY WITH RESPECT TO THE COMECON/EC RELATIONSHIP.
THE SOVIET ATTITUDE TOWARD THE EC HAD INDEED BEGUN TO CHANGE;
ALTHOUGH EC MEMBERS HAD NOT YET ALTOGETHER STOPPED
CONCLUDING BILATERAL ARRANGEMENTS WITH EE'S, THE EC HAD AGREED
THAT THERE SHOULD BE NO MORE OF THESE, AND THE SOVIETS RECOGNIZED
THAT IN FUTURE ONE COULD NEGOTIATE ONLY WITH EC ITSELF.

7. DE STAERCKE ENDED THE DISCUSSION BY COMMENTING THAT THE
ECONOMIC COMMITTEE IS CLEARLY DUE TO PLAY A MORE SIGNIFICANT
CONFIDENTIAL

PAGE 04 NATO 05744 171249Z

ROLE AS THE ECONOMIC SITUATION INCREASINGLY BECOMBES A CRITICAL
FACTOR PARALLELING THE SECURITY PROBLEM IN EAST-WEST RELATIONS.
IN DETERMINING THE POLITICAL
INTERESTS OF THE ALLIANCE, THEREFORE, THE COUNCIL SHOULD GIVE FULL
WEIGHT TO THESE INCREASINGLY IMPORTANT ECONOMIC CONSIDERATIONS.
MCAULIFFE

CONFIDENTIAL

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 11 JUN 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 17 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ATO05744
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: n/a
From: NATO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741091/abbryxwg.tel
Line Count: 148
Locator: TEXT ON-LINE
Office: n/a
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: STTE 225195
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 10 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 APR 2002 by kelleyw0>; APPROVED <15-Oct-2002 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NAC MEETING, OCTOBER 16, 1974 - ECONADS REPORT ON CEMA
TAGS: PFOR, NATO
To: STATE INFO ALL NATO CAPITALS
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005